

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 SOE-02 AID-05 CEA-01 CIAE-00  
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TO SECSTATE WASHDC 697

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E.O. 11652: GDS  
TAGS: ENRG, VE  
SUBJECT: SENATOR BENTSEN'S MEETING WITH ENERGY MINISTER HERNANDEZ

1. ON JANUARY 12, SENATOR LLOYD BENTSEN, ACCOMPANIED BY THE AMBASSADOR,

MET WITH MINISTER OF ENERGY AND MINES VALENTIN HERNANDEZ AND MEMBERS OF HIS STAFF. MINISTER HERNANDEZ HAD REQUESTED THE MEETING, IN PART BECAUSE OF THE SENATOR'S COSPONSORSHIP OF A BILL (THE HASKELL ADMENDMENT) RELATING TO US IMPORTS OF REFINED PETROLEUM PRODUCTS.

2. MINISTER HERNANDEZ SAID HE WAS VERY PLEASED WITH HIS VISIT TO WASHINGTON LAST JULY WITH PRESIDENT PEREZ. WHILE IT HAS NOT BEEN NECESSARY SINCE THEN TO MAKE AN OFFICIAL VISIT BECAUSE OF HIS CLOSE CONTACT WITH THE EMBASSY HERE, HE IS NOW LOOKING FORWARD TO HIS FORTHCOMING VISIT WITH SECRERARY OF ENERGY SCHLESINGER. HE EXPLAINED THAT WITH THE NATIONALIZATION OF THE PETROLEUM INDUSTRY, THE GOV NOW HAS RESPONSIBILITY FOR THE FUTURE DEVELOPMENT OF THIS INDUSTRY AND HE HOPES TO DISCUSS THE DEVELOPMENT PROGRAMS BEING PLANNED WITHHIS US COUNTERPART AND AT THE SAME TIME LEARN MORE ABOUT ANY US PLANS WHICH MIGHT AFFECT VENEZUELA, PARTICULARLY WITH REGARD TO RESIDUAL OIL. VENEZUELA IS VERY CONSCIOUS THAT THE US IS ITS BEST CUSTOMER AND THEREFORE BELIEVES  
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IT SHOULD BE LOOKING AHEAD NOW TO DEVELOPMENTS IN THE US MARKET IN THE 1980'S AND 1990'S. DESPITE EFFORTS SO FAR TO DIVERSITY, VENEZUELA HAS NOT SUCCEEDED IN CREATING OTHER DOMESTIC INDUSTRIES TO PLACE ALONGSIDE PETROLEUM AS MAINSTAYS OF THE ECONOMY.

3. SENATOR BENTSEN REVIEWED THE STATUS OF THE US ENERGY BILL INCLUDING THE HASKELL AMENDMENT ON OIL IMPORTS. MINISTER HERNANDEZ

SAID HE WELL UNDERSTANDS THE INTEREST OF THE US IN PROTECTING ITS OWN REFINING INDUSTRY, BUT ALSO WISHED TO NOTE THAT VENEZUELA HAS A REFINING CAPACITY OF 1.5 MILLION BBLs PER DAY WHICH IS CURRENTLY OPERATING AT ONLY 60-70 PERCENT CAPACITY, AND IS IN THE MIDST OF A MAJOR INVESTMENT PROGRAM TO UPGRADE THESE REFINERIES. SENATOR BENTSEN ALSO REFERRED TO HIS EFFORTS TO AMEND THE ANTI-OPEC EXCLUSION OF THE TRADE ACT AND TO HIS INTEREST IN NATURAL GAS PRICING. HERNANDEZ SAID HE WAS VERY DISAPPOINTED TO LEARN OF THE DIFFICULTIES FACING MEXICO IN EXPORTING ITS NATURAL GAS TO THE US. WHEN HE MET WITH THE PRESIDENT OF MEXICO'S PETROLEUM COMPANY, A FEW WEEKS AGO, THE MEXICANS WERE VERY ENTHUSIASTIC ABOUT THE OPPORTUNITY TO SELL THIS GAS TO THE US. HERNANDEZ COMMENTED THAT IN THE PAST THE MULTINATIONAL FIRMS HAVE ACTUALLY BEEN TOO EFFICIENT IN PRODUCING PETROLEUM AND MAINTAINING PRICES AT UNRELAISTICALLY LOW LEVELS, AND AS A RESULT HAVE MADE THE WORLD TOO DEPENDENT ON OIL AND NATURAL GAS. IN HIS VIEW, GOVERNMENTS WILL HAVE TO TAKE ON GREATER RESPONSIBILITY IN THE ENERGY FIELD, PARTICULARLY IN THE MEDIUM AND LONG TERM.

4. MINISTER HERNANDEZ SAID HE WISHED TO MAKE A PERSONAL COMMENT WHICH SHOULD NOT BE TAKEN AS OFFICIAL POLICY. HE SAID HE WAS CONCERNED AT THE INCREASING DEPENDENCE OF THE USG ON SAUDI ARABIA AND IRAN, SAYING THAT WHILE US PRESSURE HAS BEEN SUCCESSFUL SO FAR IN RETAINING THE SUPPORT OF THE SAUDI ROYAL FAMILY FOR US OIL PRICING POLICIES, PROBABLY TO THE DETRIMENT OF SAUDI ARABIA'S NATIONAL INTERESTS, THE ROYAL FAMILY MAY NOT BE ABLE TO SUSTAIN

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THESE PRESSURES OVER THE MEDIUM OR LONG TERM.

5. IN RESPONSE TO THE SENATOR'S DESCRIPTION OF THE PROBLEMS CAUSED BY SHARP OIL PRICE INCREASES, HERNANDEZ SAID VENEZUELA IS VERY CONSCIOUS OF THE DIFFICULTIES ENCOUNTERED BY THE WORLD ECONOMY AND FOR THIS REASON HAS TRIED TO PLAY A MODERATING ROLE IN OPEC. SHORTLY BEFORE THE RECENT OPEC CONFERENCE, HE VISITED IR AND MET WITH THE SHAH WHO TOLD HIM THAT VENEZUELA SHOULD TRY TO CONVINCE SAUDI ARABIA TO AGREE TO A PRICE INCREASE. KNOWING THAT SOME OPEC COUNTRIES WISHED TO RAISE PRICES 15-25 PERCENT AND BASED ON HIS CONVERSATION WITH THE SHAH, HERNANDEZ SAID VENEZUELA THOUGHT THAT IT WOULD BE BETTER FOR ALL CONCERNED FOR OPEC TO COMPROMISE ON THE 5 PERCENT INCREASE. PRESIDENT PEREZ BELIEVED THIS AND THUS PROPOSED THIS FIGURE WHILE IN BRAZIL. SHORTLY THEREAFTER, HOWEVER, THE SHAH VISITED THE US AND LEFT ADVOCATING A PRICE FREEZE. HERNANDEZ COMMENTED THAT THE US SHOULD REALIZE THAT THIS CHANGE IN THE SHAH'S POSITION TOOK PLACE IN ONLY 15 DAYS, AND THAT THE SHAH COULD JUST AS QUICKLY CHANGE HIS POSITION IN THE OTHER DIRECTION.

6. PICKING UP HIS EARLIER COMMENT, HE SAID HE IS CONCERNED THAT

WORLD ENERGY PROBLEMS MAY HAVE BECOME TOO DEPENDENT ON JUST TWO PEOPLE, THE SHAH AND PRINCE FAHD. VENEZUELA, HE SAID, BELONGS TO THE WESTERN WORLD AND HAS A DEMOCRATIC GOVERNMENT. THEREFORE, IT UNDERSTANDS THE NEED TO SHARE RESPONSIBILITIES AND TO COMPROMISE ON ISSUES. VENEZUELA KNOWS IT CANNOT PROVOKE A CRISIS IN WESTERN EUROPE FOR INSTANCE, SINCE THAT WOULD BE SUICIDE FOR VENEZUELA AS WELL. WHAT IS NEEDED, HE SAID, IS A DIALOG ON WORLD ENERGY ISSUES TO FIND A BALANCE OF INTERESTS WHICH WILL BENEFIT BOTH SIDES. THIS IS ANOTHER POINT HE WISHES TO DISCUSS WITH SECRETARY SCHLESINGER.

7. HERNANDEZ CONCLUDED THE MEETING BY ASKING AGAIN THAT THE US CONSULT WITH VENEZUELA ON ANY PROPOSALS IT MAY BE CONSIDERING WHICH WOULD DIRECTLY AFFECT VENEZUELAN EXPORTS.  
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